

June 27, 2003

By Hand Delivery and by Electronic Mail

Ms. Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 2930 - First Savings Proof of The Narragansett Electric Company

Dear Ms. Massaro:

Enclosed on behalf of The Narragansett Electric Company ("Narragansett" or "Company") are an original and nine copies of the Company's First "Savings Proof" pursuant to the Third Amended Stipulation and Settlement ("Settlement") dated March 14, 2000 and approved by the Commission in Docket 2930 on March 24, 2000. Specifically, enclosed are the testimony and exhibits of Mr. Michael D. Laflamme supporting the Company's filing in this proceeding.

In accordance with Section 8.(A) of the Settlement, the Company is required to file with the Commission a Cost of Service study no later than December 31, 2003 for purposes of establishing provable savings achieved by the Company since the NEES/EUA and NEES/National Grid mergers in early 2000. As set forth in the Settlement, the Parties to this proceeding agreed that, "[a] properly structured incentive based rate plan can align the interests of the Company and its customers by establishing appropriate incentives to maximize merger related savings for the benefit of the Company and its customers." See Section 8. of the Settlement. The enclosed filing demonstrates that, during the 2002 measurement year, the Company achieved total annual savings of approximately \$16.5 million, setting the savings cap (subject to escalation) that may ultimately be shared "50/50" between the Company and its customers.

The enclosed Savings Proof is the first step toward establishing the level of demonstrated savings that the Company would be permitted to include in future rate cases, through 2019, for purposes of setting the Company's distribution rates. In accordance with the Settlement, the

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savings established by the first Savings Proof are potentially subject to downward adjustment based on the second Savings Proof contemplated by the Settlement as well as other Reopener

provisions. See Mr. Laflamme's testimony and subsections (B) and (C) of Section 8. to the Settlement for further explanation of these provisions.

Please note that the sole purpose of today's filing is to establish the level of savings achieved by the Company in accordance with the Settlement. It is not proposed to be used to adjust the Company's distribution rates at this time. Under the terms of the Settlement, the Company's present distribution rates are intended to remain in place, subject only to adjustment for certain "Exogenous Events", throughout the Settlement's "Rate Freeze Period" which extends through the end of calendar year 2004.

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions concerning our filing.

Very truly yours,

Terry L. Schwennesen

Enclosure

Cc: Docket 2930 Service List (By US Mail)

Narragansett Electric Company

Docket 2930 Earned Savings Proof

Testimony and Exhibits Of:

Michael D. Laflamme

June 27, 2003

Submitted to:
Rhode Island Public Utilities Commission
RIPUC Docket No. 2930

Submitted by:

Direct Testimony of

Michael D. Laflamme

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. Please state your full name and business address.

3 A. My name is Michael D. Laflamme. My business address is 55 Bearfoot Road,
4 Northboro, Massachusetts 01532.

5
6 Q. By whom are you employed and in what position?

7 A. I am Manager of Regulatory Support for National Grid USA Service Company Inc.
8 National Grid USA Service Company provides engineering, financial, administrative and
9 other technical support to subsidiary companies of National Grid USA, including
10 Narragansett Electric Company (“Narragansett”, or “Company”)

11
12 Q. Please provide a brief summary of your educational background and training.

13 A. In 1981 I earned a Bachelor of Science degree in Business Administration, emphasis in
14 Accounting, from Bryant College in Smithfield, Rhode Island.

15
16 Q. What is your professional background?

17 A. From 1981 through April 2000 I was employed by various subsidiary companies of
18 Eastern Utilities Associates (“EUA”), including Blackstone Valley Electric Company
19 (“Blackstone”) and EUA Service Corporation (“EUASC”) which provided various
20 accounting, financial, engineering, planning, data processing and other services to all
21 EUA System companies.

1 I joined Blackstone in 1981 as a junior accountant and attained a staff accountant position
2 prior to transferring to the revenue requirements section of EUASC's Rate Department in
3 1985. I held progressively more responsible positions in revenue requirements prior to
4 transferring to the Treasury Services department of EUASC in 1988. I was promoted to
5 the position of Manager of Treasury Services in 1991. The EUA System was acquired by
6 National Grid USA in early 2000, at which time I joined the National Grid USA
7 Distribution Financial Analysis Group.
8

9 Q. What is your relationship to Narragansett?

10 A. My current duties include supporting cost of service and revenue requirements analyses
11 for the National Grid USA Distribution companies in New England, including
12 Narragansett.
13

14 Q. Have you previously testified before a regulatory commission?

15 A. Yes, I have testified in proceedings before the Rhode Island Public Utilities Commission
16 ("Commission"), the Massachusetts Department of Telecommunications and Energy and
17 the New Hampshire Public Utilities Commission. I have also provided primary support
18 for revenue requirements witnesses in proceedings before the Federal Energy Regulatory
19 Commission.
20
21
22

1 **II. PURPOSE OF TESTIMONY**

2 Q. What is the purpose of your testimony?

3 A. Pursuant to the Third Amended Stipulation and Agreement, dated March 14, 2000, in
4 Docket 2930 (the “Settlement”), which was approved by this Commission by written
5 order dated March 24, 2000, the Company is required to file its first “Savings Proof”
6 based on a cost of service study (“COS”) using historic calendar year data for either
7 calendar year 2001 or 2002, at the Company’s discretion. The Company has elected
8 2002 as its measurement year. I am providing support for Naragansett’s Savings Proof
9 and savings determination formula pursuant to the Settlement.

10
11 Q. What is the purpose of the Savings Proof?

12 A. The Savings Proof is the initial determination of merger related savings to be shared
13 between the Company and customers. It constitutes the maximum amount of earned
14 savings (subject to escalation) that the Company may include in a future COS used to
15 change distribution rates during the settlement period which extends through 2019 (the
16 “Settlement Period”). As described in Section 8 of the Settlement;

17 “A properly structured incentive based rate plan can align the interests of the
18 Company and its customers by establishing appropriate incentives to maximize
19 merger related savings for the benefit of the Company and its customers. To that
20 end, the Parties agree that provable cost savings achieved by the Company shall
21 be shared between the Company and customers as described in this section,
22 according to the savings determination formula, verification mechanisms, and
23 reopener provisions...”
24

1 Q. Is the Company proposing to change distribution rates in this filing?

2 A. No. The Settlement provides for a distribution rate freeze from the effective date of the
3 National Grid USA/EUA merger through December 31, 2004 (the "Rate Freeze Period"),
4 subject only to specifically defined Exogenous Events. In fact, Section 8 (A) (4) of the
5 Settlement specifically states;

6 "The measurement year COS will not be used to adjust rates. Rather, its sole
7 purpose will be to determine the amount of savings that have been achieved."
8
9

10 In addition, the Settlement stipulates that the COS study will not include adjustments for
11 known and measurable changes in costs as would normally be included in a COS study
12 used to adjust rates. No such adjustments have been made in the measurement year COS.
13

14 **III. SAVINGS DETERMINATION FORMULA**

15 Q. What is the savings determination formula?

16 A. The savings determination formula is the methodology established in the Settlement for
17 quantifying the merger related savings to be shared between the Company and its
18 customers. This is illustrated in Exhibit 4 of the Settlement and mirrored in Exhibit
19 MDL-1 of this filing. In accordance with the Settlement, 50 percent of the savings
20 quantified in this filing, the First Look Savings Proof, represents the maximum amount of
21 merger savings (subject to escalation) that the Company can include for recovery in its
22 next COS rate case. The ultimate earned savings amount that the Company will be
23 allowed to include in any COS used to change distribution rates during the Settlement

1 Period is capped at the First Look Savings Proof amount, as escalated, subject to
2 potential downward adjustment as determined in the Second Savings Verification and/or
3 the Reopener provisions as defined in the Settlement. Section (8) (B) of the Settlement
4 provides that this Second Savings Verification will take place at the earlier to occur of: i)
5 the first COS rate case filed by the Company that reflects an historic test year that is no
6 less than two years after the test year used for the first savings proof, or ii) April 30,
7 2007. However, Section (8) (B) of the Settlement also provides that if the Company files
8 a COS rate case in 2004 to change rates for usage on and after January 1, 2005 and such
9 case would not otherwise trigger the Second Savings Verification, the Parties shall have
10 the option to propose and the Commission shall have the authority to order that the
11 Second Savings Verification take place in that proceeding.

12
13 Q. Can you briefly describe the savings determination formula?

14 A. The savings determination formula calculates merger related savings by subtracting the
15 2002 measurement year distribution COS revenue requirement from the adjusted
16 Benchmark COS as defined in Section 8 (A) (3) of the Settlement. As shown on Exhibit
17 MDL-1, this formula results in an initial Savings Proof of \$16,526,000, one half of which
18 (subject to the adjustments mentioned above) may be included in a future COS rate case
19 to establish rates.

1 **IV. ADJUSTED BENCHMARK COST OF SERVICE**

2 Q. Could you explain the derivation of the Adjusted Benchmark COS?

3 A. Section 8 (A) (3) of the Settlement established the Company's Benchmark COS of
4 \$210,000,000, the 2000 kWh sales of 7,098,202,000 and the formula to follow in
5 calculating the Adjusted Benchmark COS to be used in the Company's Savings Proof. In
6 determining the merger related savings, the Benchmark COS is adjusted for two factors,
7 inflation and load growth.

8
9 The inflation adjustment is equal to 50% of the change in the Gross Domestic Product
10 Implicit Price Deflator ("GDPIPD") from calendar year 2000 through the measurement
11 year, or 2002 in this case. As shown on Exhibit MDL-1, the percentage change in the
12 "GDPIPD" for the years 2001 and 2002 amounted to 2.36% and 1.13%, respectively.
13 Applying 50% of these inflation amounts to the Benchmark COS, as shown on lines 1
14 through 9 of Exhibit MDL-1, results in an 'escalated benchmark cost of service' for 2002
15 of \$213,678,000.

16
17 The load growth adjustment is equal to 30% of the growth in the weather normalized
18 measurement year kWh sales from the year 2000 kWh sales of 7,098,202,000, as defined
19 in the Settlement, and is shown on lines 11 through 17 of Exhibit MDL-1. Actual
20 weather normalized kWh sales for calendar year 2002 amounted to 7,393,425,018, or an
21 increase of 4.16% from the 2000 kWh sales of 7,098,202,000. Applying 30% of this load

1 growth to the 'escalated cost of service' results in a load growth adjustment of
2 \$2,666,000 ($\$213,678,000 * 4.16\% * 30\%$) and an Adjusted Benchmark COS of
3 \$216,344,000 ($\$213,678,000 + \$2,666,000$) as shown on Exhibit MDL-1, Line 19.
4

5 **V. MEASUREMENT YEAR COS**

6 Q. Please describe the measurement year COS.

7 A. Section 8(A) of the Settlement provides the following:

8 “(1) Filing. The Company will file in 2002 or 2003 a cost of service (“COS”) for
9 either 2001 or 2002 (the “measurement year”), at its option, using calendar year
10 cost data on an historic test year basis for the most recent calendar year. For the
11 purpose of this COS filing, actual measurement year results will be adjusted to
12 reflect established Commission ratemaking principles and to incorporate any
13 other normalizing adjustments as may be appropriate. However, there will be no
14 adjustments to actual results to recognize or annualize known and measurable
15 changes. Any party in the savings proof proceedings may contend that the
16 measurement year COS should be adjusted upward or downward based on the
17 occurrence of any “Exogenous Event” (as defined in subsections 6(B)(1)(2)&(3))
18 in order to avoid having the merger-related savings artificially inflated or deflated
19 by such events, with the burden of proof on the party making the contention.
20

21 (2) Imputed Capital Structure and Costs. In the measurement year COS filing,
22 Narragansett shall use the capital structure and associated cost rates to calculate
23 its return and income taxes as provided in Section 7(B).”
24

25 Pursuant to those provisions, the Company prepared its 2002 measurement year COS
26 without any adjustments to include known and measurable changes.
27

28 Q. How was the measurement year COS calculated?

1 A. The measurement year COS was calculated by incorporating actual results for 2002, as
2 adjusted, along with the imputed capital structure and cost rates established in Section
3 (7) of the Settlement.

4
5 Q. What type of adjustments did you make to actual 2002 results to arrive at the
6 measurement year COS?

7 A. The adjustments made to actual results were limited to established Commission
8 ratemaking adjustments and normalizing adjustments for out-of-period expenses, and are
9 discussed individually later in my testimony. Also, consistent with the derivation of the
10 Benchmark COS, an Interstate Allocation Study was updated for 2002, as shown in
11 Exhibit MDL-2. This Interstate Allocation Study provides the allocations of the 2002
12 results to interstate (transmission) activities in order to arrive at an intrastate
13 (distribution) rate base and COS.

14
15 **1. UPDATED INTERSTATE ALLOCATION STUDY**

16 Q. What is the purpose of the updated Interstate Allocation Study?

17 A. The updated Interstate Allocation Study provides the basis for the allocation of cost
18 between interstate (transmission) and intrastate (distribution) operations. The Interstate
19 Allocation Study is designed to exclude from the Company's COS those costs and
20 investments that are recoverable from New England Power Company ("NEP") under a
21 Federal Energy Regulatory Commission ("FERC") jurisdictional agreement known as the
22

1 Integrated Facilities Agreement (“IFA”). The updated interstate allocation study for the
2 measurement year is provided in Exhibit MDL-2
3

4 Q. Has the Company made any changes in the methodology used to calculate the interstate
5 allocation?

6 A. No. The updated study follows the same methodology followed in the Settlement.
7

8 Q. Has the Company proposed a change to its IFA with NEP at this time?

9 A. No, not at this time. The updated study, which was calculated in a manner consistent
10 with the IFA presently in effect, was performed solely for the purpose of generating the
11 measurement year intrastate COS.
12

13 **2. RATE BASE**

14 Q. Please explain how the intrastate rate base was derived.

15 A. The Company’s intrastate rate base was calculated using a five-quarter average of actual
16 calendar year 2002 data and excluding the amounts allocated to interstate activities.

17 Exhibit MDL-3, Page 6 of 9, provides details of the individual items included in rate base
18 along with the exclusion of interstate allocations and other adjustments.
19

20 Q. You mentioned other adjustments. Would you please elaborate on them?

21 A. Certainly. The Company’s investment in property held for future use was also excluded
22

1 from the rate base calculation, as shown on Exhibit MDL-2, Page 1, consistent with its
2 treatment in the Benchmark COS and regulatory precedent.

3
4 An adjustment was also made to the actual balance of unamortized loss on reacquired
5 debt. Historically, unamortized losses on reacquired debt have been included in rate
6 base, and the associated amortization of such costs have been included in operating
7 expenses for ratemaking purposes, because the incurrence of such costs generally
8 provides a reduction in the overall cost of long term debt. However, as previously
9 mentioned, pursuant to the terms of the Settlement, fixed capitalization ratios and cost
10 rates have been used in the measurement year COS. Consequently, the unamortized
11 balance and periodic amortization of loss on reacquired debt have been held at the
12 Settlement COS level. Exhibit MDL-3, Page 7 provides details of the quarterly balances
13 used for the five-quarter average of unamortized loss on reacquired debt.

14
15 Finally, intrastate accumulated deferred tax reserves include adjustments for non-rate
16 base related items as well as for interstate activities. Exhibit MDL-3, Page 8 details the
17 individual components of the Company's deferred tax reserves. Page 9 of Exhibit MDL-
18 3 provides the allocation percentages applied to total-company amounts as well as the net
19 intrastate amount included in the measurement year rate base.

20
21
22 Q.

1 Was a Lead/Lag study performed to calculate the cash working capital allowance to be
2 included in rate base?

3 A. No. Likewise, no lead/lag study was performed for either Narragansett, Blackstone or
4 Newport Electric Corporation (“Newport”) in arriving at the Settlement Benchmark COS.
5 The cash working capital allowance included in the Settlement Benchmark COS was
6 derived by adding the individual cash working capital allowances of Narragansett,
7 Blackstone and Newport. These individual Company amounts were derived by using the
8 previously approved lead/lag percentages applied to the appropriate expense categories.
9 In an effort to provide consistency with the Benchmark COS, the cash working capital
10 allowance was maintained at the same level as was included in the Settlement.
11

12 **3. CAPITALIZATION, RETURN AND INCOME TAXES**

13 Q. Would you please summarize the capital structure and cost rates that were used in
14 developing the measurement year COS?

15 A. Section 7 (B) of the Settlement stipulates the imputed capital structure and cost rates to
16 be used in developing the measurement year COS. The imputed capital structure and
17 cost rates as defined by that section of the Settlement are listed below along with the
18 weighted after-tax overall rate of return, income taxes and pre-tax amounts;
19
20
21
22

		<u>%</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Taxes</u>	<u>Pre-Tax</u>
3	Debt	45%	7.81%	3.51%	3.51%	
4	Preferred	5%	5.20%	0.26%	0.14%	0.40%
5	Common Equity	50%	10.50%	<u>5.25%</u>	<u>2.83%</u>	<u>8.08%</u>
6				<u>9.02%</u>	<u>2.97%</u>	<u>11.99%</u>

7

8 Q. How was the measurement year COS return calculated?

9 A. As shown on Exhibit MDL-3, Page 4, the overall return was calculated by multiplying
10 intrastate rate base by the after-tax overall return rate of 9.02%, resulting in an overall
11 after-tax return of \$46,047,000.

12 Q. How were the measurement year COS income taxes calculated?

13 A. Income taxes were calculated in the same fashion as the return component of the
14 measurement year COS, using the income tax component of the imputed capital
15 structure, or 2.97%, and adjusting the result for the tax impact of amortization of
16 investment tax credits (ITC). Because amortization of ITC is not a taxable item, an
17 adjustment must be made to total income tax expense. As shown on Exhibit MDL-3,
18 Page 4, Lines 20 through 25, the adjustment equals the tax gross-up of the ITC
19 amortization included in the measurement year COS, or \$386,000.

20

21 Q. What is the total amount of income tax expense included in the measurement year COS?

22 A. Including the adjustment for the ITC amortization, total income tax expense amounts to

1 \$14,760,000 as shown on Exhibit MDL-3, Page 4, Line 27.
2

3 **4. OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS**

4 **a. BAD DEBT EXPENSE**

5 Q. Please explain the adjustment made to the Company's actual 2002 bad debt expense.

6 A. The Company employs a bad debt reserve policy to account for uncollectible customer
7 accounts. Consequently, the Company's recognition of bad debt expense differs from the
8 actual amount of net customer account write-offs for any given period. The regulatory
9 precedent for bad debt expense is to limit the recovery of these costs to the Company's
10 actual experience of net write-offs of uncollectible accounts. The Company has typically
11 used an average of net uncollectible write-offs for the most recent two years as a proxy of
12 estimated net write-offs for rate-year recovery in a COS used to adjust distribution rates.
13 Because the measurement year COS is not intended to be used to change distribution
14 rates and its sole purpose is to calculate the Company's COS for the measurement year,
15 the bad debt expense for the measurement year COS was limited to actual net write-offs
16 for calendar year 2002. The calculation of this adjustment is shown on Page 3 of Exhibit
17 MDL-3 and amounts to an increase in the measurement year COS of \$985,000.
18

19 **b. ADVERTISING EXPENSE AND OTHER NON-RECOVERABLE**
20 **EXPENSES**

21 Q. Please explain the adjustment for advertising and other non-recoverable expenses.
22

1 A. This adjustment relates to the exclusion from intrastate COS of general advertising
2 expenses, recorded in FERC account 930.1 and other non-recoverable expenses,
3 primarily membership dues. The Company records other non-recoverable expenses in a
4 separately defined activity code within its general ledger system. Because a portion of
5 both general advertising expense and the other non-recoverable expenses incurred by the
6 Company in 2002 were included in the O&M amounts allocated to interstate activities as
7 previously discussed, only the intrastate portion, 96.98%, of these items is included in
8 this adjustment. The details of this adjustment are shown on Page 3 of Exhibit MDL-3
9 and amount to a reduction in the measurement year COS of \$252,000.

10
11 c. **MERGER INTEGRATION COSTS**

12 Q. Please explain the adjustment made for merger integration costs.

13 A. Consistent with the treatment of transaction costs of the NEES/National Grid and the
14 National Grid USA/EUA mergers in the Settlement, incremental, non-recurring,
15 integration costs related to the National Grid USA/Niagara Mohawk merger charged to
16 the Company in 2002 have been excluded from the measurement year COS. National
17 Grid USA's merger with Niagara Mohawk will provide benefits to all US subsidiaries,
18 including Narragansett, through synergy savings and efficiency gains that will be
19 achieved through lower administrative and general costs in the future. As a result, certain
20 integration costs are allocated to those subsidiaries that will ultimately receive the
21 benefits of the costs. In most instances, such allocated costs are incurred by National

1 Grid USA Service Company and are allocated based on approved Securities and
2 Exchange Commission allocation factors that are appropriate for the types of costs being
3 incurred. All integration costs are charged to separately identifiable integration
4 accounting activity codes. These codes were queried to arrive at the total integration
5 costs charged to the Company in 2002, or \$4,732,000. However, this adjustment is
6 intended to exclude only incremental, non-recurring integration costs. Non-incremental
7 amounts relate to non-overtime labor and overheads of National Grid USA personnel.
8 An additional query of the integration activity codes, limited to non-incremental internal
9 labor and overheads, was performed to arrive at the non-incremental amount of the total
10 integration costs charged to the Company in 2002, or \$412,000. As shown on Page 3 of
11 Exhibit MDL-3, the net decrease to the measurement year COS equals the intrastate
12 portion, 96.98%, of the incremental integration costs, or \$4,190,000.

13
14 **d. OUT-OF-PERIOD EXPENSE ADJUSTMENTS**

15 Q. Can you explain the adjustment for out-of-period expenses?

16 A. Yes. I have made two out-of-period expense adjustments. The first relates to
17 environmental remediation expenses. Pursuant to a settlement approved by the
18 Commission in this Docket in a November 6, 2002 open meeting and by written order
19 dated January 29, 2003, the Company was allowed to increase its annual environmental
20 remediation fund allowance by \$2,200,000 effective as of January 1, 2001. Accordingly,
21 in 2002, the Company recorded a catch-up of \$2,200,000 of additional environmental
22

1 remediation expense for the calendar year 2001 period. Because this catch-up amount for
2 2001 does not relate to the measurement year, the intrastate portion, 96.98%, or
3 \$2,134,000, has been deducted in the development of the measurement year COS.

4 The second out-of-period adjustment relates to Rhode Island employee reimbursements
5 for Temporary Disability Insurance (TDI) costs. It is the Company's policy to reimburse
6 Rhode Island employees for statutorily imposed TDI costs paid by employees. For the
7 annual periods of 1999, 2000 and 2001, the Company's reimbursement to employees did
8 not include a tax gross-up for the employees' tax liability related to the reimbursements.

9 In April 2002, the Company recorded the additional reimbursement for the employees'
10 tax liability for three years, 1999 through 2001, which aggregated \$360,000.

11 Consequently, the intrastate portion of this amount, \$349,000, has been deducted from
12 the measurement year COS.

13
14 **e. DISTRIBUTION DISPATCH EXPENSE ADJUSTMENT**

15 Q. Would you please describe the adjustment you made for distribution dispatch expense?

16 A. This adjustment relates to distribution dispatch expenses, FERC account 581. Since the
17 National Grid USA/EUA merger 100% of the Company's dispatch costs have been
18 charged to the transmission dispatch function, FERC account 561, and subsequently
19 billed to NEP pursuant to terms of the IFA, consistent with how Narragansett accounted
20 for and recovered these costs prior to the National Grid USA/EUA merger. The former
21 EUA distribution companies, Blackstone and Newport, however, charged a portion of
22

1 their dispatch costs to the distribution function, FERC account 581, and recovered such
2 cost through distribution rates. This inconsistency in the accounting and regulatory
3 treatment of the pre-merger distribution companies was identified in 2003, and an
4 adjustment was recorded in March 2003 to rectify this inconsistency. The March 2003
5 adjustment, which covered the period beginning May 1, 2000 through March 31, 2003,
6 simply reclassified an allocated amount of dispatch expense from the transmission
7 function to the distribution function. The allocation was based on the percentage of
8 distribution dispatch costs (FERC account 581) included in the Docket 2930 Settlement
9 COS to total dispatch costs included in the Settlement COS. This percentage was applied
10 to total dispatch costs recorded by the Company from May 1, 2000 through March 31,
11 2003 and aggregated \$1,629,000. The calendar year 2002 portion of this adjustment
12 amounted to \$466,000 and has been included as an adjustment in developing the
13 measurement year COS. The reduction in transmission expense resulting from the March
14 2003 reclassification will be reflected in the Company's 2003 billings to NEP under the
15 IFA.

16
17 **5. MEASUREMENT YEAR COS SUMMARY**

18 Q. How much is the measurement year COS?

19 A. As summarized on Exhibit MDL-3, Page 1, the measurement year intrastate rate base
20 amounts to \$510,502,000 and the total intrastate measurement year COS, which is used
21 for earned Savings Proof purposes only, equals \$199,819,000.

1 Q. You indicated that the measurement year COS is for earned Savings Proof purposes only.

2 What did you mean by that?

3 A. Pursuant to Commission ratemaking principles, known and measurable changes in test
4 year data would be proposed in developing a rate year COS used to establish the
5 Company's distribution rates. As mentioned earlier, the measurement year COS contains
6 no adjustments for known and measurable changes in costs from those incurred in 2002,
7 and therefore is not intended to represent an intrastate COS for ratemaking purposes.

8
9 **VI. SAVINGS PROOF SUMMARY**

10 Q. Can you summarize the results of the initial Savings Proof proposed in this filing?

11 A. Yes. As shown on Exhibit MDL-1, the initial Savings Proof indicates total savings of
12 \$16,526,000 and was derived by subtracting the measurement year COS revenue
13 requirement of \$199,819,000 from the Adjusted Benchmark COS of \$216,344,000. This
14 total savings amount constitutes the maximum amount of savings from which the
15 Company may reflect 50%, subject to escalation, the Second Savings Verification and
16 Reopener provisions, as an expense item in a future COS rate case to establish
17 distribution rates after the Rate Freeze Period..

18
19 **VII. CONCLUSION**

20 Q. Does that conclude your testimony?

21 A. Yes it does.

Exhibit MDL-1

Earned Savings Proof

The Narragansett Electric Company

Earned Savings Proof - 2002
First Look Formula
(\$000)

Formula for First Look Proven Savings:

Proven Savings = Adjusted Benchmark COS - 2002 COS + .3 * (Adjusted Benchmark COS * Weather Normalized Sales Growth)

			<u>Amount</u>	
1	Benchmark Cost of Service		\$210,000	1/
2				
3	GDPIPD Growth 2001	2.36% * 50% + 1	<u>1.0118</u>	2/
4				
5	2001 Adjusted Benchmark COS		212,479	
6				
7	GDPIPD Growth 2002	1.13% * 50% + 1	<u>1.0056</u>	2/
8				
9	2002 Adjusted Benchmark COS		\$213,678	
10				
11	2000 kWh Sales from Settlement		7,098,202,000	1/
12				
13	Weather Adjusted 2002 kWh Sales		7,393,425,018	3/
14				
15	Weather Normalized Sales Growth		4.16%	4/
16				
17	Adjusted Sales Growth	4.16% * 30% *	<u>213,678</u> <u>2,666</u>	
18				
19	Adjusted Benchmark Cost of Service		216,344	5/
20				
21	Normalized Cost of Service - 2002 Test Year		<u>199,819</u>	6/
22				
23	Savings to be Shared		<u>16,526</u>	7/
24				
25	50/50 Sharing of Proven Savings		<u><u>8,263</u></u>	8/

1/ Per Third Amended Stipulation and Settlement dated March 14, 2000.

2/ GDP Deflators

<u>Year</u>	<u>Index</u>	<u>% Change</u>
2000	106.935	
2001	109.460	2.36%
2002	110.695	1.13%

3/ Actual 2002 Weather Adjusted kWh sales

4/ (Line 13 - Line 11) / Line 11

5/ Line 9 + Line 17

6/ Exhibit MDL - 3, Page 1, Line 20

7/ Line 9 + Line 17 - Line 21

8/ Line 23 * 50%

Exhibit MDL-2

Interstate Allocation Study

NARRAGANSETT ELECTRIC COMPANY
INTERSTATE ALLOCATION STUDY
TWELVE MONTHS ENDED
DECEMBER 31, 2002

The accompanying Interstate Allocation Study provides the basis for the allocation of cost between interstate (transmission) and intrastate (distribution) operations. Transmission facilities owned by Narragansett are made available to New England Power Company (“NEP”) under an Integrated Facilities Agreement (the “IFA”). Under the terms of the IFA, these facilities are paid for by NEP in the form of a monthly credit on NEP’s Tariff No. 1 bill to Narragansett. The terms of the IFA reimburse Narragansett for the expenses it incurs to serve the interstate function, including operation and maintenance expenses, depreciation, property taxes, return and associated income taxes. Because these interstate costs are incurred by Narragansett but supported by NEP, they must be excluded from total-Company costs in the calculation of an intrastate COS. This updated study was prepared solely to provide the basis for allocating a portion of the Company’s rate base and expenses to the interstate function for purposes of calculating the Company’s intrastate COS included in the Savings Proof demonstration in the instant filing, and the Company is not proposing to change the IFA at this time.

The methodology and resulting interstate allocators used to separate the Company's test period costs and rate base into interstate and intrastate components is the same methodology that was used in developing the Benchmark COS included in the Third Amended Stipulation and Agreement, dated March 14, 2000, in Docket 2930. The interstate components are subtracted from the total company amounts to arrive at the intrastate cost of service. The allocations used in this study are based on the methodology last approved by FERC in Docket ER96-298-000. The resulting allocators are applied to total-Company rate base and costs incurred in the historic test year ending December 2002, to arrive at a net intrastate COS, as shown on Page 1 of the study.

INTERSTATE ALLOCATION STUDY SUMMARY

Column (a) of Page 1 of the study shows the total-Company amounts for rate base and expenses for 2002 per the Company's books. The figures include all rate base components, operation and maintenance expenses, depreciation expenses, and taxes other than federal income tax. Column (b) shows Narragansett's five quarter average rate base. Column (c) shows the total costs allocated to the interstate function. Column (e) represents the percentage of the total company costs that is apportioned to interstate operations.

RATE BASE ALLOCATION METHODOLOGIES

The allocation for interstate transmission and intrastate distribution plant was determined by the Company's Asset Management group by studying Narragansett's

substation and line investments. Any transmission or distribution facilities that meet the terms of the Federal Energy Regulatory Commission's ("FERC") 7-Factor Tests, as filed in the Narragansett wholesale restructuring settlement, are identified as interstate related. Once the interstate transmission and distribution related plant is determined, a portion of general plant is allocated to total interstate plant, based on the ratio of interstate plant to total plant, excluding general plant. Depreciation reserves are allocated to interstate activities using these same functional allocation percentages.

All remaining interstate rate base components were determined based on the ratio of interstate plant to total plant.

EXPENSE ALLOCATION METHODOLOGIES

Transmission related O&M expenses are considered entirely interstate. Distribution O&M expenses were allocated on the basis of actual gross plant investment in interstate distribution plant as a percentage of total gross distribution plant. All customer-related O&M expenses are assignable to the intrastate cost of service.

Total A&G expenses were allocated to interstate operations on the basis of direct payroll ratios as detailed on Page 5 of the study.

The transmission-related interstate depreciation expense is determined by multiplying transmission depreciation expense by the ratio of interstate depreciable

transmission plant to total depreciable transmission plant. This same methodology is used for calculating distribution- and general-related interstate depreciation expense.

Taxes other than income taxes, which includes municipal taxes and payroll taxes, and amortization of losses on reacquired debt were allocated to the interstate function based on the ratio of total interstate plant to total gross plant investment as detailed on page 7 of the study.

Interstate Allocation Study
Test Year - 12 months ending 12/31/02

Rate Base						
	(a)	(b)	(c)	(d)	(e)	
	Total Company	Total Company		Page	(c) / (b)	
	Per Books	5 Quarter	Interstate	Reference	Interstate	
		Average			Percent	
1		1				
2	Production Plant in Service	\$3,126,434	\$3,126,434	N/A	2	N/A
3	Transmission Plant in Service	173,480,960	171,448,873	137,791,885	2	80.37%
4	Distribution Plant in Service	847,443,009	831,539,531	6,688,880	2	0.80%
5	General Plant in Service	58,191,092	57,903,138	8,314,891	2	14.36%
6	Total Plant in Service	\$1,082,241,495	\$1,064,017,976	\$152,795,656		14.36%
7						
8	Property Held For Future Use	\$12,707,067	\$12,707,067	\$12,707,067	2	100.00%
9						
10	Reserve for Depreciation - Production	2,166,727	\$2,037,736	N/A	3	N/A
11	Reserve for Depreciation - Transmission	57,409,325	56,106,265	45,092,605	3	80.37%
12	Reserve for Depreciation - Distribution	317,078,615	305,391,113	2,443,129	3	0.80%
13	Reserve for Depreciation - General	15,623,174	14,870,982	2,135,989	3	14.36%
14	Total Reserve for Depr. - Plant in Svc	\$392,277,842	\$378,406,096	\$49,671,723		
15	Reserve for Depreciation - PHFFU	0	0	0	3	0.00%
16	Total Reserve for Depreciation	\$392,277,842	\$378,406,096	\$49,671,723		
17						
18	Materials & Supplies	\$4,483,663	\$4,393,036	\$630,840	4	14.36%
19						
20	Prepayments	\$352,641	\$228,061	\$32,750	4	14.36%
21						
22	Fuel Inventory	\$0	\$0	\$0	8	N/A
23						
24	Unamortized Loss on Reacquired Debt	\$11,005,000	\$11,361,000	\$1,631,440	4	14.36%
25						
26	Customer Deposits	\$2,723,491	\$2,747,474	\$0		
27						
28	Contributions in Aid of Construction	\$0	\$109,307	\$0		
29						
30	Uninsured Claims	0	178,000	\$25,561	4	14.36%
31						
32						
33	Expenses					
34						
35	(a)	(b)	(c)	(d)	(e)	
36	Total Company		Interstate		(c) / (a)	
37	12 MTD 12/31/98		12 MTD 12/31/97			
38						
39	Fuel	\$0	\$0		N/A	
40						
41	Total O&M Expense (ex. Production & A&G)	\$118,463,865	\$2,819,603	5	2.38%	
42	Total Administrative and General Expenses	41,635,137	1,257,855	5	3.02%	
43	Total O&M Expenses	\$160,099,002	\$4,077,458		2.55%	
44						
45	Donations	563,229	\$17,016	5	3.02%	
46						
47	Purchased Power Expense	N/A	N/A			
48						
49	Depreciation Expense - Production	\$257,980	\$0	6	N/A	
50	Depreciation Expense - Transmission	3,780,199	3,038,146	6	80.37%	
51	Depreciation Expense - Distribution	29,175,476	233,404	6	0.80%	
52	Depreciation Expense - General	2,303,336	330,759	6	14.36%	
53	Depreciation Expense - Total	\$35,516,991	\$3,602,309		10.14%	
54						
55	FICA	\$3,447,404	\$104,151	7	3.02%	
56	Federal Unemployment	\$44,581	\$1,347	7	3.02%	
57	State Unemployment	\$182,284	\$5,507	7	3.02%	
58	Municipal Taxes	\$18,862,663	\$2,899,191	7	15.37%	
59	Other Misc. Tax Expense	\$260,400	\$0		0.00%	
60						
61	Amortization of Loss on Reacquired Debt	\$712,000	\$102,243	4	14.36%	
62						

The Narragansett Electric Company
Interstate Rate Base

Interstate Plant in Service

1	<u>Interstate Production Plant in Service</u>		
2			
3	5 Quarter Average Production Plant in Service 5/	\$0	\$0
4			
5	<u>Interstate Transmission Plant in Service</u>		
6			
7	5 Quarter Average Interstate Trans. Plant 3/	\$137,791,885	137,791,885
8			
9	<u>Interstate Distribution Plant in Service</u>		
10			
11	5 Quarter Average Interstate Dist Plant 4/	\$6,688,880	6,688,880
12	Total Interstate Plant Before General	<u>\$144,480,765</u>	
13			
14			
15	<u>Interstate General Plant in Service</u>		
16			
17	5 Quarter Average General Plant 1/	\$57,903,138	
18	Allocation of General @ 2/	14.36%	
19	Interstate General Plant in Service	<u>\$8,314,891</u>	<u>8,314,891</u>
20			
21	Total Interstate Plant in Svc (ex PHFFU)		<u>\$152,795,656</u>
22			
23	<u>PHFFU</u>		
24	5 Quarter Avg Property Held for Future Use 1/		<u>\$12,707,067</u>

1/ Page 8

2/ General Plant Allocator:

5 Qtr Interstate Trans & Dist Plant / 5 Qtr Average Total Plant (ex Gen'l) 14.36%
Source: above

3/ Page 10

4/ Page 11

5/ NECO's remaining Production Plant are Intrastate assets.

**The Narragansett Electric Company
Interstate Rate Base**

Interstate Reserve For Depreciation

1	<u>Reserve for Depreciation - Production</u>		
2	5 Quarter Average Reserve for Depreciation 5/	\$0	\$0
3			
4	<u>Reserve for Depreciation - Transmission</u>		
5	5Quarter Average Reserve for Depreciation 1/	(\$56,106,265)	
6	Interstate Allocation Factor 2/	<u>80.37%</u>	
7	Interstate Transmission Depreciation Reserve	<u>(\$45,092,605)</u>	(45,092,605)
8			
9			
10	<u>Reserve for Depreciation - Distribution</u>		
11	5Quarter Average Reserve for Depreciation 1/	(\$305,391,113)	
12	Interstate Allocation Factor 3/	<u>0.80%</u>	
13	Interstate Distribution Depreciation Reserve	<u>(\$2,443,129)</u>	(2,443,129)
14			
15			
16	<u>Reserve for Depreciation - General</u>		
17	Year-End Reserve for Depreciation 1/	(\$14,874,578)	
18	General Reserve Allocation 4/	<u>14.36%</u>	
19	Interstate General Depreciation Reserve	<u>(\$2,135,989)</u>	(2,135,989)
20			
21	Interstate Reserve for Depreciation - PHFFU		<u>0</u>
22			
23	Total Interstate Reserve for Depreciation		<u>(\$49,671,723)</u>

1/ Page 8

2/ Interstate Transmission Plant Allocator		80.37%
Ave Interstate Transmission Plant	<u>137,791,885</u>	
Ave Total Company Transmission Plant	\$171,448,873	

3/ Interstate Distribution Plant Allocator		0.80%
Ave Interstate Distribution Plant	<u>6,688,880</u>	
Ave Total Company Distribution Plant	\$831,539,531	

4/ Interstate General Plant Allocator - See Page 2		14.36%
----------------------------------------------------	--	--------

5/ NECO's remaining Production Plant are Intrastate assets.

The Narragansett Electric Company

Interstate Rate Base

Interstate Materials & Supplies

5 Quarter Avg M & S - Total Company 1/	\$4,393,036
Interstate Allocation 2/	14.36%
5 Quarter Average Interstate Materials & Supplies	<u>\$630,840</u>

Interstate Prepayments

5 Quarter Avg - Total Company 1/	\$228,061
Interstate Allocation 2/	14.36%
5 Quarter Average Interstate Prepayments	<u>\$32,750</u>

Unamortized Loss on Reacquired Debt

5 Quarter Avg Unamortized Loss on Reacquired Debt 1/	\$11,361,000
Interstate Allocation Factor 2/	14.36%
Interstate Unamortized Loss on Reacquired Debt	<u>\$1,631,440</u>

Uninsured Claims

5 Quarter Avg Uninsured claims	\$178,000
Interstate Allocation Factor 2/	14.36%
Interstate Deferred FIT - Loss on Reacquired Debt	<u>\$25,561</u>

Accumulated Deferred Income Taxes - Liberalized Deprecation on 1994 Transmission Plant

Year-End Accum. Def. FIT - Liberalized Depreciation (including Transfer Account)	(\$76,620,198)
Intrastate Liberalized Depreciation	<u>(\$72,268,298)</u>
Liberalized Depreciation on Vintage Year 1994 Transmission Plant 3/	<u>(\$4,351,900)</u>

Interstate Expenses

Amortization of Loss on Reacquired Debt

Amortization of Loss on Reacquired Debt - Total Company	\$712,000
Interstate Allocation Factor 2/	14.36%
Amortization of Loss on Reacquired Debt - Interstate	<u>\$102,243</u>

1/ Page 8

2/ Total Plant in Service Allocator - Page 2 14.36%

3/ Tax Department

The Narragansett Electric Company
Interstate Operation & Maintenance Expense
12 Months Ended December 31, 2002

	Total O&M	Interstate Percent 1/	Interstate O&M Expense
1 Production (excl fuel & Purchased Power)	\$54,669	0.00%	\$0
2 Transmission (Excl. wheeling)	2,566,592	100.00%	2,566,592
3 Wheeling	0	100.00%	0
4 Wheeling - NEP	46,037,089	0.00%	0
5 Distribution	31,626,351	0.80%	253,011
6 Customer Accounts	17,523,505	0.00%	0
7 Customer Service & Informational	20,655,659	0.00%	0
8 Total O&M (Excl. A&G)	\$118,463,865		\$2,819,603
9 A&G	\$41,635,137		
10	\$160,099,002		

Interstate A&G Expense

	NECo Salary and Wages Form 1 Page 354	NECo Sal & Wages Percentage	Interstate Percentage 1/	Interstate Composite Percentage	Total Company	Allocation to Interstate
20 Total A&G Expense					\$41,635,137	
21 Less: Production Related A&G					\$0	
22 Total A&G Expense including Overheads					\$41,635,137	
24 <u>Allocation to Interstate:</u>						
25 Production Payroll	\$0					
26 Transmission	697,599	3.02%	80.37%	2.42%	0.00%	\$1,008,884
27 Distribution	17,297,339	74.75%	0.80%	0.60%	0.00%	\$248,971
28 Customer Accounts	3,549,012	15.34%	0.00%	0.00%		\$0
29 Customer Service & Informational	1,597,001	6.90%	0.00%	0.00%		\$0
30 Total Salaries and Wages (Excl. A&G)	\$23,140,951	100.00%		3.02%		\$1,257,855
31 Administrative & General	1,577,346					
32 Total	\$24,718,297					

Interstate Payroll Allocation Factor

	NECo Salary and Wages Form 1 Page 354	NECo Sal & Wages Percentage	Gross Interstate Plant Percentage 1/	Interstate Payroll Percentage
48 C&LM	\$672,016	2.65%		
50 Transmission	697,599	2.82%	80.37%	2.27%
51 Distribution	17,297,339	69.98%	0.80%	0.56%
52 Customer Accounts	3,549,012	14.36%	0.00%	0.00%
53 Customer Service & Informational (Excl. C&LM)	1,597,001	6.46%	0.00%	0.00%
54 Administrative & General	1,577,346	6.38%	14.36%	0.92%
55 Total	\$24,718,297	100.00%		3.74%
57 Grand Total (Excl. Clearing)	\$25,390,313			

Interstate Donations

63 Total Company Donations	\$563,229
64 Interstate Allocation /2	3.02%
65 Total Interstate Donations	\$17,016

1/ Page 1

2/ Interstate A&G Allocator above

The Narragansett Electric Company
Interstate Depreciation Expense
12 months Ended December 31, 2002

Line No.			
1	<u>Interstate Production Depreciation Expense</u>		
2	Depreciation Expense - Production 1/5	\$257,980	\$0
3			
4	<u>Interstate Transmission Depreciation Expense</u>		
5	Depreciation Expense - Transmission 1/	\$3,780,199	
6	Interstate Allocation Factor 3/	<u>80.37%</u>	
7	Interstate Trans. Depr. Exp.	<u>\$3,038,146</u>	3,038,146
8			
9	<u>Interstate Distribution Depreciation Expense</u>		
10	Depreciation Expense - Distribution 1/	\$29,175,476	
11	Interstate Allocation Factor 4/	<u>0.80%</u>	
12	Interstate Dist. Depr. Exp.	<u>\$233,404</u>	233,404
13			
14	<u>Interstate General Depreciation Expense</u>		
15	Depreciation Expense - General 1/	\$2,303,336	
16	Interstate Allocation Factor 2/	<u>14.36%</u>	
17			
18	Interstate General Depreciation Expense	<u>\$330,759</u>	330,759
19			
20	Depreciation Expense - PHFFU	0	0
21			
22			
23	Total Interstate Depreciation Expense		<u>\$3,602,309</u>

1/ FERC F1, Page 336

2/ Interstate General Plant Allocator (See Page 1) 14.36%

3/ Interstate Transmission Plant Allocator (See Page 1) 80.37%

4/ Interstate Distribution Plant Allocator (See Page 1) 0.80%

5/ NECO's remaining Production Plant are Intrastate assets.

The Narragansett Electric Company
Taxes Other Than Income Taxes
Interstate Payroll Taxes
12 Months Ended December 31, 2002

Line No.	Estimated Total Sal & Wages Percent	Interstate Gross Plant Percentage 5/	Interstate Composite Percent	Interstate FICA Expense	Interstate FUTA Expense	Interstate SUTA Expense
1	Total Company Expense			\$3,447,404	\$44,581	\$182,284
2	Less: Production Related Expense			\$0	\$0	\$0
3	Total Company Expense (Exclud. Prod)			\$3,447,404	\$44,581	\$182,284
4	Production	0.00%	100.00%	0	0	0
5	Transmission	3.02%	80.37%	83,536	1,080	4,417
6	Distribution	74.75%	0.80%	20,615	267	1,090
7	Customer Accounts	15.34%	0.00%	0	0	0
8	Customer Service & Informational	<u>6.90%</u>	0.00%	<u>0</u>	<u>0</u>	<u>0</u>
9	Total	100.00%	3.02%	<u>\$104,151</u>	<u>\$1,347</u>	<u>\$5,507</u>

Interstate Municipal Taxes

12 MTD 12/31/02

13	<u>Interstate Transmission Municipal Taxes</u>		
14	Total Municipal Taxes (ex Prod)	\$18,862,663	
15	Interstate Transmission % 1/	<u>12.80%</u>	
16	Interstate Transmission Municipal Taxes	<u>\$2,413,855</u>	2,413,855
17			
18	<u>Interstate Distribution Municipal Taxes</u>		
19	Total Municipal Taxes (ex Prod)	\$18,862,663	
20	Interstate Distribution % 2/	<u>0.62%</u>	
21	Interstate Distribution Municipal Taxes	<u>\$117,137</u>	117,137
22			
23	<u>Interstate General Municipal Taxes</u>		
24	Total Municipal Taxes (ex Prod)	\$18,862,663	
25	Interstate General % 3/	<u>0.77%</u>	
26	Interstate General Municipal Taxes	<u>\$145,620</u>	145,620
27			
28	<u>PHFFU</u>		
29	Total Municipal Taxes (ex Prod)	\$18,862,663	
30	Property Held for Future Use % 4/	<u>1.18%</u>	
31	Interstate General Municipal Taxes	<u>\$222,579</u>	<u>222,579</u>
32			
33	Total Interstate Municipal Taxes		<u>\$2,899,191</u>

- 1/ Avg. Interstate Trans Plant / Avg Total Plant Pg. 1 12.80%
2/ Avg. Interstate Dist Plant Pg.1 / Avg Total Plant Pg. 1 0.62%
3/ Avg. Interstate Gen'l Plant Pg.1 / Avg Total Plant Pg.1 0.77%
4/ Avg. PHFFU Pg.1 / Avg Total Plant Pg.1 1.18%
5/ Page5

THE NARRAGANSETT ELECTRIC COMPANY
TOTAL COMPANY BALANCE SHEET ITEMS IN RATE BASE
UTILITY PLANT AND DEPRECIATION RESERVE

	Utility Plant: <u>Production</u>		<u>Dec-01</u>	<u>Mar-02</u>	<u>Jun-02</u>	<u>Sep-02</u>	<u>Dec-02</u>	5 Quarter <u>Average</u>
1		Steam Production Plant 101	0	0	0	0	0	0
2		106	0	0	0	0	0	0
3			0	0	0	0	0	0
4								
5		Other Production Plant 101	3,126,434	3,126,434	3,126,434	3,126,434	3,126,434	3,126,434
6		106	0	0	0	0	0	0
7			3,126,434	3,126,434	3,126,434	3,126,434	3,126,434	3,126,434
8								
9		Transmission 101	155,300,953	157,673,969	159,010,003	158,391,440	161,874,390	158,450,151
10		106	10,710,265	13,218,293	14,699,456	14,759,024	11,606,570	12,998,722
11			166,011,219	170,892,262	173,709,459	173,150,464	173,480,960	171,448,873
12								
13		Distribution 101	771,727,362	777,013,997	787,814,113	791,964,542	796,400,211	784,984,045
14		106	45,403,624	47,960,610	40,096,443	48,273,956	51,042,797	46,555,486
15			817,130,986	824,974,607	827,910,557	840,238,498	847,443,009	831,539,531
16								
17		General 101	39,835,252	40,172,836	40,733,203	40,727,094	40,562,093	40,406,096
18		106	16,176,619	18,162,983	17,738,700	17,777,912	17,628,998	17,497,042
19			56,011,871	58,335,820	58,471,903	58,505,006	58,191,092	57,903,138
20								
21		Total Plant	1,042,280,509	1,057,329,122	1,063,218,353	1,075,020,402	1,082,241,495	1,064,017,976
22								
23		Prop Held Ftr Use	12,707,067	12,707,067	12,707,067	12,707,067	12,707,067	12,707,067
24								
25		Reserve For Depr.: Production	(1,908,747)	(1,973,241)	(2,037,735)	(2,102,229)	(2,166,727)	(2,037,736)
26								
27		Transmission	(54,608,603)	(55,349,599)	(56,151,811)	(57,011,986)	(57,409,325)	(56,106,265)
28								
29		Distribution	(294,169,121)	(299,958,730)	(304,680,862)	(311,068,239)	(317,078,615)	(305,391,113)
30								
31		General	(13,892,016)	(14,394,444)	(14,968,086)	(15,495,170)	(15,623,174)	(14,874,578)
32			3,597	3,596	3,596	3,596	3,596	3,596
33		Amort. of Elec. Plt. in Svc. FS Sheet 21	0	2	2	2	2	1
34		Total Reserve for Depr.	(364,578,487)	(371,676,013)	(377,838,493)	(385,677,622)	(392,277,840)	(378,409,691)
35								
36								
37		Fuel	0	0	0	0	0	0
38								
39		Materials & Supplies	4,545,542	4,296,876	4,325,353	4,313,747	4,483,663	4,393,036
40								
41		Prepayments	196,708	112,589	256,902	221,466	352,641	228,061
42								
43		Loss on Debt 1/	11,717,000	11,539,000	11,361,000	11,183,000	11,005,000	11,361,000
44		LESS:						
45		Customer Deposits	(2,811,595)	(2,754,237)	(2,756,051)	(2,691,998)	(2,723,491)	(2,747,474)
46								
47		Cont. in Aid of Const.	(279,334)	(8,600)	(258,600)	0	0	(109,307)
48								
49		Uninsured Claims Liability	(890,000)	0	0	0	0	(178,000)

1/ Exhibit MDL-3 Page 7 of 9

Tab Name: Interstate Plt
Interstate Transmission Plant - Substations

Location/ Bk. #	Substation	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	LAND
-----							-----
1 0038/022	Woonsocket	2,634,286	3,098,632	3,230,036	3,517,405	3,517,405	9,731
2 0013/016	Drumrock	2,599,626	3,489,967	3,536,306	3,754,654	3,754,654	13,306
3 0008/014	Franklin Sq.	5,131,000	5,131,000	5,131,000	5,606,441	5,606,441	52,119
4 0005/014	South St.	1,276,765	1,333,385	1,404,121	1,415,660	1,415,660	0
5 0037/002	Admiral St. Term	228,451	228,451	228,451	228,451	228,451	0
6 0046/023	W. Kingston	405,044	405,044	405,044	399,148	399,148	2,673
7 0176/028	Phillipsdale	66,023	66,023	66,023	81,096	81,096	22,383
8 0177/028	Kent County	1,083,461	1,083,461	2,648,951	2,757,233	2,757,233	3,772
9 Loc. 2162	Hartford Ave Johnston	8,081,126	8,491,675	8,491,704	8,491,704	8,491,704	358,453
10 Loc. 0002	Manchester Street	4,087,442	3,572,753	3,754,761	3,754,761	3,754,761	0
11 106	Wood River Sub.	0	0	0	0	0	0
12 106	Land Johnston Sub.	NA	NA	NA	NA	NA	0
13	BVE & NEWPORT	<u>14,138,804</u>	<u>13,561,307</u>	<u>13,904,045</u>	<u>13,839,601</u>	<u>13,839,601</u>	0
14	SUBTOTAL	39,732,028	40,461,698	42,800,442	43,846,154	43,846,154	462,437
15							
16	INTERSTATE TRANS SUBS - LAND	462,437	462,437	462,437	462,437	462,437	
17		-----	-----	-----	-----	-----	-----
18							
	Total Interstate Substations: Transmission Plant, including BVE & Newport	<u>40,194,465</u>	<u>40,924,135</u>	<u>43,262,879</u>	<u>44,308,591</u>	<u>44,308,591</u>	<u>462,437</u>

Tab Name: Interstate Plt

Interstate Transmission Plant - Lines

1 Location	Line	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	LAND
2 -----	-----	-----	-----	-----	-----	-----	-----
3 5047	State Line to Riverside	586,612	586,612	589,993	592,358	592,358	265,624
4	106 Proj. 14782,13658	3,380	0	0	0	0	
5 5035	Woonsocket to Lincoln, V148	1,163,383	1,209,555	1,370,714	1,366,320	1,366,320	22,880
6	106 Proj. 16521,16844,16855,17	0	0	0	0	0	
7	106 Proj. 5303	12,514	0	0	0	0	
8 5021	Frank Sq. to State Line	10,657,014	10,650,655	10,870,535	10,888,993	10,888,993	246,612
9	Proj. 13604, 14783,16844,5303,	4,881	3,471	3,741	3,741	3,741	
10 5044	Philipsdale Tap, off E183	2,290,936	2,281,289	2,281,289	2,290,672	2,290,672	1,301,403
11 5019	Frank Sq. to So. St.	171,742	171,742	171,742	171,742	171,742	
12	106 Proj. 13390,14768,15097,13	6,193,591	4,341,048	4,121,593	4,129,711	4,129,711	
13 5045	West Farnum Taps S-171 & T-1	8,520,698	8,520,698	8,520,698	10,060,162	10,060,162	1,042,011
14	106 Proj.13390,15097,16822,17.	0	0	0	0	0	
15 5034	Drum to W. Kingstown G185	2,698,185	2,698,185	2,798,316	2,721,855	2,721,855	348,344
16	106 Proj. 15296, 15715,17379,5t	3,270	322,690	317,694	0	0	
17 5038	West Kingston , 1870	1,908,595	1,905,730	2,009,798	1,911,637	1,911,637	211,344
18	Proj. 13712, 13718, 17383	0	0	0	0	0	
19 5036	Phillip Tap, off X-3	221,018	221,018	221,018	221,018	221,018	25,297
20 5046	Drumrock to Kent County	229,962	229,962	229,962	229,962	229,962	
21 5052	Pontiac Tap off I187	756,089	756,089	756,089	756,089	756,089	48,279
22	106 Proj. 14776	0	0	0	0	0	
23 5049	Kent to W.Farnum	3,203,749	3,212,249	3,196,192	3,284,530	3,284,530	
24 5018	Warren to Bristol #1, F184	468,905	468,905	468,905	468,905	468,905	106,437
25	106 Proj. 14143	0	0	0	0	0	
26 5051	State Line to Tiverton	1,533,865	1,533,865	1,533,865	1,533,865	1,533,865	0
27 5055	Wood River Tap off 1870	75,183	75,183	75,183	75,183	75,183	
28 5059	Old Baptist Rd to Kent County	7,780,058	7,780,058	7,780,058	7,780,058	7,780,058	
29	106 Proj. 13091	0	0	0	0	0	
30 5064	Wampanoag Tap, off E183	214,930	214,930	214,930	214,930	214,930	
31 5060	Old Baptist Tap	499,380	514,591	516,069	516,367	516,367	
32	106 Proj. 13547, 13703	0	0	0	0	0	
33 5048	Drumrock to Sockanosset	3,380,544	3,380,544	3,380,544	3,380,544	3,380,544	
34	106 Proj. 14555 and blank	0	0	0	0	0	
35 5062	Davisville Tap, 5603,16952,173t	1,568,113	1,597,566	1,878,071	1,871,597	1,871,597	7,167
36	106 Proj. 16952	0	0	0	0	0	
37 5063	Davisville Tap, off G185, L190	766,670	775,997	967,208	983,262	983,262	7,167
38	E105/F106 Line Man. St Hart A	25,268,077	25,268,077	25,268,077	25,268,077	25,268,077	
39	BVE & NEWPORT	11,147,142	11,255,780	11,281,529	11,274,356	11,274,356	0
40	SUBTOTAL	91,328,486	89,976,489	90,823,813	91,995,936	91,995,936	3,632,565
41							
42							
43	INTERSTATE LINES - LAND						
44	-----						
45 5051	Land-Tiverton to St.Line	335,436	335,436	335,436	335,436	335,436	335,436
46	Other Land	3,632,616	3,632,616	3,632,565	3,632,565	3,632,565	0
47							
48	Total Interstate Transmission Lines	95,296,538	93,944,541	94,791,814	95,963,937	95,963,937	3,968,001
49							
50	Total Interstate Transmission Plant Including						
51	BVE & Newport	135,491,003	134,868,676	138,054,692	140,272,528	140,272,528	4,430,438
52							
					5 Quarter Average	137,791,885	

Tab Name: Interstate Plt

Interstate Transmission Plant - Lines

Location	Substation	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	LAND
-----	-----	-----	-----	-----	-----	-----	-----
1 0010	Admiral St	388,252	382,131	376,923	311,296	311,296	6,014
2 0030	Warren	590,686	590,686	590,686	590,686	590,686	4,400
3 0045	Wolf Hill	142,659	136,219	136,219	86,019	86,019	1,278
4 0125	Bristol #1	292,031	292,031	292,031	284,226	284,226	23,382
5 0127	Tiverton #2	276,277	284,083	284,083	276,277	276,277	31,096
6 0170	Johnston	211,267	2,456,329	2,497,795	1,282,602	1,282,602	10,697
7 0180	West Cranston	11,644	11,644	11,644	11,644	11,644	8,438
8 0184	Farnum Pike	21,603	22,643	21,603	21,603	21,603	0
9 0189	Sockanosset	210,900	210,900	210,900	167,856	167,856	1,821
10 0193	Pontiac	382,500	38,872	38,872	38,872	38,872	88,141
11 0194	Wood River	238,134	238,134	238,134	237,968	237,968	22,500
12 2155	Old Baptist Sub	420,392	514,729	521,074	521,074	521,074	34,768
13 2156	Wampanoag	821,282	819,053	819,053	820,583	820,583	36,289
14 2158	Davisville	438,888	438,888	438,888	438,888	438,888	16,633
15 2160	Clarkson	286,961	286,961	286,961	305,449	305,449	13,023
16 2161	Kenyon	545,825	545,825	545,825	545,825	545,825	62,014
17	BVE & NEWPORT	0	0	0	0	0	0
18	Total Interstate Distribution Plant - Substation	5,279,301	7,269,128	7,310,691	5,940,868	5,940,868	360,494
19							
20	Total Interstate Distribution Plant - Land	311,031	311,031	360,494	360,494	360,494	
21		-----	-----	-----	-----	-----	
22	Total Interstate Distribution Plant	<u>5,590,332</u>	<u>7,580,159</u>	<u>7,671,185</u>	<u>6,301,362</u>	<u>6,301,362</u>	
23							
24							
		5 Quarter Average					<u>6,688,880</u>

Exhibit MDL-3

Intrastate Cost of Service

The Narragansett Electric Company

Intrastate Cost of Service
Calendar Year 2002
(\$000)

	Total Company Per Books 2002	Interstate Adjustments 2002	1/ Other Adjustments 2002	Intrastate 2002	Normalizing Adjustments 2002	Intrastate Cost of Service 2002	Ref
1 Operation & Maintenance Expense	96,268	2/ 4,077	0	92,191	(\$5,474)	\$86,717	Pg 2
2 Transmission Wheeling Costs - NEP	46,037	0	46,037	0	0	0	
3 Conservation and Load Management Expense	17,794	0	17,794	0	0	0	-
4 Purchased Power Expense	346,120	0	346,120	0	0	0	-
5 Donations	563	17	0	546	0	546	-
6 Fuel Expense	0	0	0	0	0	0	-
7 Depreciation Expense	35,517	3,602	0	31,915	0	31,915	-
8 Gross Earnings Tax	22,790	0	22,790	0	0	0	-
9 Municipal Taxes	18,863	2,899	0	15,964	0	15,964	-
10 FICA	3,447	104	0	3,343	0	3,343	-
11 Federal Unemployment	45	1	0	44	0	44	-
12 State Unemployment	182	6	0	176	0	176	-
13 Other Misc Taxes	260	0	0	260	0	260	-
14 Current and Deferred FIT	24,538	-	-	-	-	14,760	Pg 4
15 Amort. of Investment Tax Credit	(717)	0	0	(717)	0	(717)	-
16 Amort. of Loss on Reacquired Debt	712	3/ 102	0	610	0	610	-
17 Interest on Customer Deposits	153	0	0	153	0	153	-
18 Overall Return \$510,502 * 9.02%		-	-	-	-	46,047	Pg 4
19							
20 Total Cost of Service						<u>\$199,819</u>	

- 1/ Exhibit MDL -2, Page 1
2/ Excludes G&T Credit of (27,522)
3/ From Page 7 of 9

The Narragansett Electric Company
Summary of Intrastate Operation & Maintenance Adjustments
(\$000)

	<u>Amount</u>	<u>Reference Page</u>
1 a. Bad Debt Expense Adjustment	\$985	3
2		
3 b. Advertising Expense/Other Non-recoverable Expenses	(252)	3
4		
5 c. Merger Integration Cost Elimination	(4,190)	3
6		
7 d. Out of Period Expense Adjustments	(2,483)	3
8		
9 e. Distribution Dispatch Expense	<u>466</u>	3
10		
11 Total Intrastate O & M Expense Adjustments	<u>(\$5,474)</u>	

The Narragansett Electric Company

Operations and Maintenance Expense Normalizing adjustments
(S000)

1	a. <u>Adjustment to Normalize Bad Debt Expense to Actual Net Write-offs</u>		
2			
3			
4	Net Charge-offs - Calendar Year 2002	\$5,431	
5	Bad Debt Expense - Calendar Year 2002	<u>4,446</u>	
6	Normalized Bad Debt Expense	\$985	
7	Customer Accounts Expense Allocation Percentage	<u>100.00%</u>	1/
8	Bad Debt Expense Adjustment	<u>\$985</u>	
9			
10			
11	b. <u>Adjustment to Eliminate Advertising Expense (FERC Acct 930.1) and Other Non-recoverable Expenses</u>		
12			
13			
14	Advertising Expense FERC Acct 930.1 - Calendar Year 2002	\$159	
15	Other Non-recoverable Expenses - Calendar Year 2002	<u>101</u>	
16	Total	\$260	
17	A&G Expense Allocation Percentage	<u>96.98%</u>	1/
18	Total Adjustment	<u>\$252</u>	
19			
20			
21	c. <u>Adjustment to Eliminate Incremental NIMO Merger Integration Costs</u>		
22			
23			
24	Total NIMO Integration Costs - Calendar Year 2002	\$4,732	
25	Less: Non-incremental NIMO Merger Integration Costs - Calendar Year 2002	<u>412</u>	
26	Incremental NIMO Merger Integration Costs	\$4,320	
27	A&G Expense Allocation Percentage	<u>96.98%</u>	1/
28	Incremental NIMO Merger Integration Costs Adjustment	<u>\$4,190</u>	
29			
30			
31	d. <u>Adjustment to Eliminate Out of Period Expenses</u>		
32			
33			
34	Additional Environmental Response Expense Catch-up for Calendar Year 2001		
35	Recorded in September 2002	\$2,200	
36	TDI Reimbursement Gross-up Adjustment for 1999, 2000 and 2001 Recorded		
37	in September 2002	<u>360</u>	
38	Incremental NIMO Merger Integration Costs Adjustment	\$2,560	
39	A&G Expense Allocation Percentage	<u>96.98%</u>	1/
40		<u>\$2,483</u>	
41			
42	e. <u>Distribution Dispatch Expense Adjustment</u>		
43			
44	Total Dispatch Expense - Calendar Year 2002	\$1,015	
45	Percent Allocated to Distribution Dispatch - FERC Account 581	<u>45.91%</u>	2/
46	Distribution Dispatch Expense - 2002	<u>\$466</u>	
47			
48			
49			
50			
51			

1/ From Exhibit MDL-2 Page 5 of 11

2/ Allocation percentage equals the ratio of distribution dispatch expense to total dispatch expense as included in Docket 2930 Settlement Cost of Service.

The Narragansett Electric Company
Imputed Intrastate Return and Income Taxes
(\$000)

Calculation for Imputed Return and Taxes

Return

Intrastate Rate base	1/	\$510,502
Weighted Rate of Return	2/	<u>9.02%</u>
		<u>\$46,047</u>

Income Taxes

Intrastate Rate base	1/	\$510,502
Imputed Tax Cost	2/	<u>2.97%</u>
Imputed Taxes Before ITC Amortization Impact		\$15,146

Adjustment for ITC Amortization

Amortization of ITC grossed up for Tax	3/	(\$717)
Tax Gross-up	4/	<u>(1,103)</u>
Tax Impact of ITC Amortization	5/	<u>(386)</u>

Total Imputed Taxes \$14,760

- 1/ From Page 6 of 9
- 2/ From Page 5 of 9
- 3/ From Page 1 of 9
- 4/ Line 21 / (1 - 35%)
- 5/ Line 23 - Line 21

The Narragansett Electric Company
Total Company Capital Structure and Cost of Capital
(\$000)

		<u>Capital</u> <u>Structure (a)</u>	<u>Cost</u> <u>Rate (a)</u>	<u>Weighted</u> <u>Return</u>	<u>Taxes</u>	<u>Pre-tax</u> <u>Return</u>
1	Long Term Debt	45.00%	7.81%	3.51%		3.51%
2						
3	Preferred Stock	5.00%	5.20%	0.26%	0.14%	0.40%
4						
5	Total Common Equity	<u>50.00%</u>	10.50%	<u>5.25%</u>	<u>2.83%</u>	<u>8.08%</u>
6						
7	Total Capitalization	<u>100.00%</u>		<u>9.02%</u>	<u>2.97%</u>	<u>11.99%</u>

(a) Per Third Amended Stipulation and Settlement dated March 14, 2000.

The Narragansett Electric Company
Intrastate Rate Base
(\$000)

5 Quarter Averages

	Total Company <u>2002</u>	Interstate and Other <u>2002 1/</u>	Intrastate <u>2002</u>	
1 Utility Plant in Service	\$1,064,018	\$152,796	\$911,222	
2 Property Held for Future Use	<u>12,707</u>	<u>12,707</u>	<u>0</u>	
3 Total Utility Plant	\$1,076,725	\$165,503	\$911,222	
4				
5 Less - Reserve for Depreciation	(378,406)	(49,672)	(328,734)	
6				
7 Plus - Loss on Reacquired Debt	11,361	1,631	9,730	
8				
9 - Materials & Supplies	4,393	631	3,762	
10				
11 - Fuel Inventory	0	0	0	
12				
13 - Prepayments	228	33	195	
14				
15 Less - Uninsured Claims Liability	(178)	(26)	(152)	
16				
17 - Contrib in Aid of Constr.	(109)	0	(109)	
18				
19 - Customer Deposits	(2,747)	0	(2,747)	
20				
21 - Reserve for Deferred FIT	<u>(91,436)</u>	3,827	<u>(95,264)</u>	2/
22				
23 Rate Base before Cash Working Capital	\$619,831		\$497,903	
24				
25 Plus - Cash Working Capital	<u>12,599</u>		<u>12,599</u>	
26				
27 Intrastate Rate Base	<u>\$632,430</u>		<u>\$510,502</u>	

1/ Exhibit MDL - 2, Page 1

2/ Page 9 of 9, Line 35

The Narragansett Electric Company
Loss on Reacquired Debt
(\$000)

		Transferred From EUA	Monthly Amortization. 1/	Unamortized Balance Per Dkt 2930	Quarter End Balance
1				\$10,251	
2	2000		\$59	10,192	
3			59	10,132	
4			59	10,073	
5			59	10,014	
6		\$2,890 2/	59	12,844	
7			59	12,785	
8			59	12,726	
9			59	12,666	
10			59	12,607	
11			59	12,548	
12			59	12,488	
13			59	12,429	
14	2001		59	12,370	
15			59	12,310	
16			59	12,251	
17			59	12,192	
18			59	12,132	
19			59	12,073	
20			59	12,014	
21			59	11,954	
22			59	11,895	
23			59	11,836	
24			59	11,776	
25			59	11,717	\$11,717
26	2002		59	11,658	
27			59	11,598	
28			59	11,539	11,539
29			59	11,480	
30			59	11,420	
31			59	11,361	11,361
32			59	11,302	
33			59	11,242	
34			59	11,183	11,183
35			59	11,124	
36			59	11,064	
37			59	11,005	<u>11,005</u>
38					
39			Five Quarter Average		<u>\$11,361</u>

1/ Per Docket 2930, annual amortization is \$712k

2/ Amounts tranfered to Narragnasett from BVE & Newport at Merger

The Narragansett Electric Company
Intrastate Deferred Federal Income Taxes
(\$000)

		<u>Dec-01</u>	<u>Mar-02</u>	<u>Jun-02</u>	<u>Sep-02</u>	<u>Dec-02</u>	5 Quarter <u>Average</u>
1	Cont. in Aid of Const.	\$3,663	\$3,711	\$3,721	\$3,741	\$3,761	\$3,720
2	Storm Contingency Fund & Storm Costs	3,490	3,629	3,719	3,857	4,128	3,765
3	ACRS Retirements	(1,535)	(1,535)	(1,535)	(1,535)	(1,535)	(1,535)
4	Waste Disposal	(286)	(413)	(400)	(396)	1,104	(78)
5	Property Donation	0	0	0	0	0	0
6	Uninsured Claims	252	217	211	118	244	208
7	Workers Compensation	638	754	767	645	620	685
8	Unbilled Revenues & Budget Billing	3,375	871	684	1,525	3,314	1,954
9	Bad Debt	3,352	2,909	2,964	2,799	2,784	2,962
10	Pensions, Non-Qual. Pen., Non-Qual. Pen.	(5,926)	(6,523)	(6,936)	(7,546)	(8,360)	(7,058)
11	Deferred Directors Comp. & Deferred Inc.	256	245	246	249	251	249
12	Deferred Comp. - Salary	56	41	41	41	42	44
13	Unfunded Tax Liability C/R Dist. Catch-t	(12,349)	(12,257)	(12,257)	(12,257)	(12,257)	(12,275)
14	FAS 112	697	672	704	753	836	732
15	Bonus/Vacation Accruals	748	980	787	587	827	786
16	Supplemental Pensions, LHEDO/Severanc	(768)	(784)	(783)	(782)	(780)	(779)
17	Sales Tax Audits	367	367	367	367	367	367
18	Group Term	(11)	(11)	(11)	(11)	(11)	(11)
19	Materials and Supplies & Capitalized Off.	13	30	23	20	13	20
20	Rate Reserves	17,176	23,236	24,266	25,534	28,738	23,790
21	Liberalized Depreciation, Construction Oth	(75,058)	(75,377)	(75,345)	(78,609)	(78,712)	(76,620)
22	Municipal Taxes, Treaty Payment	(3,491)	(3,491)	(3,491)	(3,491)	(3,491)	(3,491)
23	AFUDC	514	512	510	517	515	514
24	FIT - Tax Reserve and Current Month Esti	(1,043)	(1,043)	(1,542)	(1,593)	(1,043)	(1,253)
25	Loss Reacquired Debt	(4,064)	(3,964)	(3,897)	(3,797)	(3,663)	(3,877)
26	Customer Refund Interest Income	0	0	0	0	0	0
27	Rabbi Trust	(221)	(223)	(190)	(186)	(197)	(203)
28	Cost of Removal	(6,605)	(6,908)	(6,675)	(8,191)	(7,959)	(7,268)
29	Pawtucket Hydro	(512)	(486)	(469)	(443)	(409)	(464)
30	Divestiture	63	63	63	63	63	63
31	EMS Amortization	(1)	(1)	(1)	(1)	(1)	(1)
32	FAS 106 Costs	(1,429)	(1,302)	(1,052)	(576)	145	(843)
33	FAS 109 Costs	<u>(15,406)</u>	<u>(15,472)</u>	<u>(15,538)</u>	<u>(15,604)</u>	<u>(15,670)</u>	<u>(15,538)</u>
34							
35	Total Company Accumulated Deferred Taxe:	<u>(\$94,044)</u>	<u>(\$91,554)</u>	<u>(\$91,047)</u>	<u>(\$94,201)</u>	<u>(\$86,335)</u>	<u>(\$91,436)</u>

The Narragansett Electric Company
Intrastate Deferred Federal Income Taxes
(\$000)

	<u>Accum. Def. FIT - Intrastate</u>	<u>Dec-01</u>	<u>Mar-02</u>	<u>Jun-02</u>	<u>Sep-02</u>	<u>Dec-02</u>	<u>Average</u>
1 100.0%	Cont. in Aid of Const.	\$3,663	\$3,711	\$3,721	\$3,741	\$3,761	\$3,720
2 0.0%	Storm Contingency Fund & Storm Costs	0	0	0	0	0	0
3 100.0%	ACRS Retirements	(1,535)	(1,535)	(1,535)	(1,535)	(1,535)	(1,535)
4 0.0%	Waste Disposal	(0)	(0)	(0)	(0)	0	(0)
5 0.0%	Property Donation	0	0	0	0	0	0
6 85.6%	Uninsured Claims	216	186	181	101	209	178
7 96.3%	Workers Compensation	614	726	738	621	596	659
8 0.0%	Unbilled Revenues & Budget Billing	0	0	0	0	0	0
9 100.0%	Bad Debt	3,352	2,909	2,964	2,799	2,784	2,962
10 96.3%	Pensions, Non-Qual. Pen., Non-Qual. Pen.	(5,704)	(6,279)	(6,676)	(7,263)	(8,047)	(6,794)
11 0.0%	Deferred Directors Comp. & Deferred Inc.	0	0	0	0	0	0
12 0.0%	Deferred Comp. - Salary	0	0	0	0	0	0
13 100.0%	Unfunded Tax Liability C/R Dist. Catch-t	(12,349)	(12,257)	(12,257)	(12,257)	(12,257)	(12,275)
14 0.0%	FAS 112	0	0	0	0	0	0
15 0.0%	Bonus/Vacation Accruals	0	0	0	0	0	0
16 0.0%	Supplemental Pensions, LHEDO/Severanc	(0)	(0)	(0)	(0)	(0)	(0)
17 85.6%	Sales Tax Audits	314	314	314	314	314	314
18 0.0%	Group Term	(0)	(0)	(0)	(0)	(0)	(0)
19 85.6%	Materials and Supplies & Capitalized Off.	11	25	20	17	11	17
20 0.0%	Rate Reserves	0	0	0	0	0	0
21 94.3%	Liberalized Depreciation, Construction Oth	(70,795)	(71,095)	(71,066)	(74,144)	(74,241)	(72,268)
22 84.6%	Municipal Taxes, Treaty Payment	(2,954)	(2,954)	(2,954)	(2,954)	(2,954)	(2,954)
23 100.0%	AFUDC	514	512	510	517	515	514
24 0.0%	FIT - Tax Reserve and Current Month Estii	(0)	(0)	(0)	(0)	(0)	(0)
25 85.6%	Loss Reacquired Debt	(3,480)	(3,394)	(3,337)	(3,251)	(3,137)	(3,320)
26 0.0%	Customer Refund Interest Income	0	0	0	0	0	0
27 0.0%	Rabbi Trust	(0)	(0)	(0)	(0)	(0)	(0)
28 56.1%	Cost of Removal	(3,707)	(3,878)	(3,747)	(4,598)	(4,467)	(4,079)
29 100.0%	Pawtucket Hydro	(512)	(486)	(469)	(443)	(409)	(464)
30 100.0%	Divestiture	63	63	63	63	63	63
31 100.0%	EMS Amortization	(1)	(1)	(1)	(1)	(1)	(1)
32 0.0%	FAS 106 Costs	(0)	(0)	(0)	(0)	0	(0)
33 0.0%	FAS 109 Costs	(0)	(0)	(0)	(0)	(0)	(0)
34							
35	Total Intrastate Accumulated deferred Taxes	(\$92,289)	(\$93,433)	(\$93,530)	(\$98,272)	(\$98,794)	(\$95,264)